

AN ORDINANCE **2016-06-16-0472**

**AMENDING THE CITY OF SAN ANTONIO ECONOMIC DEVELOPMENT
INCENTIVE FUND (EDIF) GUIDELINES.**

* * * * *

WHEREAS, the Economic Development Incentive Fund (EDIF) was established in 2004 to provide a source of funding for grants and loans used to incentivize economic development projects within the City; and

WHEREAS, EDIF funds have been used to secure projects creating a significant number of jobs, such as Toyota, Medtronic, and HOLT Cat, and have also been used to support studies and initiatives that promote the City and the City's targeted industries; and

WHEREAS, the current version of the EDIF Guidelines were adopted in December of 2014; and

WHEREAS, City staff is proposing amendments to the current EDIF Guidelines that would update wage requirements and expand the use of funds to support initiatives and projects that achieve the goals outlined in the community's economic development strategic plan, *Forefront SA*, and the City's *SA Tomorrow Comprehensive Plan*; and

WHEREAS, such amendments would approve EDIF use for projects, programs, and initiatives that promote entrepreneurial development, spur innovation, facilitate the commercialization of local technology and intellectual property, and grow startup companies in the City's Targeted Industries, cultural and creative industries, and support workforce development initiatives; **NOW THEREFORE:**

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF SAN ANTONIO:

SECTION 1. The City Council authorizes an amendment to the Economic Development Incentive Fund Guidelines as attached hereto and incorporated herein as **Attachment I**.

SECTION 2. This Ordinance shall be effective immediately upon the receipt of at least eight (8) affirmative votes.

PASSED AND APPROVED this 16th day of June, 2016.

M A Y O R
Ivy R. Taylor

ATTEST:

Leticia M. Vacek
City Clerk

APPROVED AS TO FORM:

Martha G. Sepeda
Acting City Attorney

| Agenda Item: | 28 (in consent vote: 4, 5, 6, 7, 8, 9, 10, 11, 12, 14, 15, 16, 17, 18A, 20, 21, 22, 26, 28, 30, 31, 33, 34, 35, 36, 37A, 37B, 37C, 37D, 37E) | | | | | | |
|---------------------|---|-------------|-----|-----|---------|--------|--------|
| Date: | 06/16/2016 | | | | | | |
| Time: | 09:35:28 AM | | | | | | |
| Vote Type: | Motion to Approve | | | | | | |
| Description: | An Ordinance amending the City's Economic Development Incentive Fund Guidelines. [Carlos Contreras, Assistant City Manager; Rene Dominguez, Director, Economic Development] | | | | | | |
| Result: | Passed | | | | | | |
| Voter | Group | Not Present | Yea | Nay | Abstain | Motion | Second |
| Ivy R. Taylor | Mayor | | x | | | | |
| Roberto C. Treviño | District 1 | | x | | | | |
| Alan Warrick | District 2 | | x | | | x | |
| Rebecca Viagran | District 3 | | x | | | | x |
| Rey Saldaña | District 4 | | x | | | | |
| Shirley Gonzales | District 5 | | x | | | | |
| Ray Lopez | District 6 | | x | | | | |
| Cris Medina | District 7 | | x | | | | |
| Ron Nirenberg | District 8 | | x | | | | |
| Joe Krier | District 9 | | x | | | | |
| Michael Gallagher | District 10 | | x | | | | |

ATTACHMENT I

City of San Antonio
Economic Development Incentive Fund (EDIF) Guidelines
(Approved by City Council ~~December 11, 2014~~ June 16, 2016)

Section 1. Background and Eligibility:

Since FY 2009, the San Antonio City Council has appropriated funding in the City's General Fund Budget for the sustainment of an Economic Development Incentive Fund ("EDIF"). The primary purpose of the EDIF is to make funds available for ~~offering~~ financial incentives in the form of economic development grants and/or loans (in accordance with Chapter 380 of the Local Government Code) to companies seeking to create or retain jobs and invest in San Antonio. The EDIF is also available to support initiatives and programs that help achieve the goals outlined in the community's Forefront SA economic development strategic plan and the City's SA Tomorrow Comprehensive Plan. The emphasis of the EDIF is on securing high-wage jobs and quality investment in Targeted Industries.

The City's SA Tomorrow Comprehensive Plan lays out specific, long-term goals to address key economic challenges in the areas of economic geography and diversity, workforce development, and business attraction and retention. The plan also stresses the role of the City's Targeted Industries, cultural and creative industries, and the need to nurture and support entrepreneurial development and innovation. SA Tomorrow and Forefront SA articulate related goals of increasing household income in San Antonio through increase in targeted industry employment and both stress the central role of innovation, entrepreneurship, and startups and provide a roadmap for improving the performance of the San Antonio economy over the course of the next five years.

Section 2. Eligibility:

2.1. The following project and program categories are eligible for consideration for EDIF assistance:

- a) The attraction and recruitment of companies ~~who, domestic and international, that plan to~~ create jobs and investment in ~~targeted industries~~ Targeted Industries, including corporate headquarters.
- b) The retention ~~and/or~~ expansion of local companies, including corporate headquarters, ~~who that~~ are considering relocating and/or expanding ~~in communities~~ outside of San Antonio.
- c) Promote development and investment at and around ~~active and~~ former military bases (Port San Antonio and Brooks City-Base), in distressed areas, ~~such as defined in the Inner City Reinvestment/Infill Policy (ICRIP) Area (see definition below),~~ Section 3) with an emphasis on Downtown investment and job creation, and within State Enterprise Zone census tract areas and the City's designated Reinvestment Plan Areas.
- d) Promote targeted development at and around higher educational institutions and other non-governmental institutions, such and investment in Regional Centers as the Texas Research defined by the SA Tomorrow Comprehensive Plan and Technology Foundation, for which help create jobs City Council has approved specific industry and development plans.

- e) Programs creating a scale increase (e.g. doubling) outcomes in research, innovation, start-ups, or entrepreneurial development, leading to commercialization of new technologies, products, or services in the City's Targeted Industries by 2020, where applicants demonstrate a track record of outcomes for no less than two years and matching dollars which must include private sector support.
- d)f) Training, recruitment, retention and development of a skilled workforce to support growth in the targeted industries. Targeted Industries and in the Creative Industries.
- g) Infrastructure, facilities, and equipment to support growth in the Targeted Industries.
- h) Events, marketing, sponsorships, industry groups, legislative programs, and other initiatives that help grow and/or promote the Targeted Industries.
- i) Projects, programs or initiatives in the Creative Industries that directly create or retain jobs or support the creation or retention of jobs in the Targeted Industries.

Section 23. Definitions:

Corporate Headquarters: The company's principal and legal location for its corporate headquarters will be in San Antonio.

Creative Industries: Those industries which have their origin in individual creativity, skill and talent and which have a potential for wealth and job creation through the generation and exploitation of intellectual property. The Creative Industries sectors primarily include advertising, architecture, arts and crafts, design, film and video, interactive leisure software, music, the performing arts, publishing, software and computer games, and television and radio.

ICRIP: An area with designated boundaries approved and as amended by City Council. The current ICRIP area encompasses Downtown, boundaries of the former City-designated Reinvestment Plan Areas, City-initiated Tax Increment Reinvestment Zones within Loop 410, Brooks City-Base, Port San Antonio and annexed portions of City South. Projects locating in the ICRIP are eligible for increased incentives, including development fee waivers to stimulate business activity and investment in the Downtown and surrounding areas (Exhibit A).

~~**Living Hourly Wage Requirement:** In order to be eligible for a tax abatement, one hundred percent (100%) of the company's new and existing employees at the project location must earn no less than a "living wage" throughout the full terms of the EDIF Agreement and all economic development grant incentives agreements under Chapter 380 connected to jobs creation and/or retention.~~
High-Wage Jobs: Jobs for which earnings are above the county average weekly wage (average for the most recent four quarters) as reported quarterly by the Bureau of Labor Statistics (as of May 2016, was \$47,307.

~~This wage is based on the poverty level for a family of four, as determined annually (January) by the U.S. Department of Health and Human Services (HHS). As of January 25, 2016, the living wage requirement is \$11.68 per hour.~~

~~**All Industries Median Hourly Wage Requirement:** In addition to the "Living Wage" requirement, after one year of initiating full operations at the project location, but not more than two years after execution of the EDIF Agreement and/or the economic development grant incentives under Chapter 380~~

connected to jobs creation and/or retention with the City, at least seventy percent (70%) of all new and existing employees, with at least one year of full employment with the company at the project location, must earn a cash wage at or exceeding the annual San Antonio Metropolitan Statistical Area (MSA) Median Hourly Wage for All Industries (Companies) for the most recent year available. This wage is compiled by the Bureau of Labor Statistics (BLS) Occupational Employment Survey and published annually by the Texas Workforce Commission (TWC). This wage is updated annually, and for 2014 the current applicable wage is \$14.96 per hour.

Call Centers: Outbound and third party contract call centers whose primary business operations are servicing contract(s) to make outbound calls for the purpose of selling goods or services directly to consumers on behalf of a third party.

Reinvestment Plan Areas: Areas selected by the City's Community Development Advisory Committee and adopted by City Council in accordance with the City's Strategic Plan for Community Development (Exhibit B).

Formatted: No underline

Retail Businesses: Businesses that primarily provide goods and services directly to consumers and compete with other like businesses in the community.

San Antonio for Growth on the Eastside (SAGE): San Antonio for Growth on the Eastside (SAGE) is a non-profit organization that serves as a growth engine for San Antonio's Eastside by promoting, renewing, and empowering the economic and cultural vitality of the Eastside area.

Targeted Industry: Those industries identified and defined in the City's Tax Abatement Guidelines as having the most potential for growing the economy and providing good jobs for the citizens of San Antonio. These industries include: Agribusiness, Aerospace, Creative Services, Environmental Technology (including Green and Clean Technology), Finance, Information Technology and Cyber Security, Logistics/Distribution, Oil and Gas, Telecommunications, Manufacturing and Biotechnology/Healthcare.

Westside Development Corporation (WDC): The Westside Development Corporation (WDC) is a local government corporation created by the City to foster economic development, promote the development and redevelopment of real estate within its target area, create viable urban communities, and preserve the character, culture and history of the Westside.

Formatted: Font: Not Bold

Targeted Industries: Those industries identified and defined in the City's Tax Abatement Guidelines as having the most potential for growing the economy and providing good jobs for the citizens of San Antonio. These industries include:

Formatted: Tab stops: Not at 3.51"

- Aerospace & Advanced Manufacturing
- Bioscience/Healthcare
- IT & Cybersecurity
- Energy

Section 3. Eligibility Requirements: 4. Determination of Amount of EDIF Assistance:

The amount of EDIF assistance for a particular business recruitment or retention/expansion project will be based on a determination of need for financial incentives from the City to ensure the

attraction, retention and/or ~~execution~~ expansion of the eligible projects company or program. Staff will also conduct a fiscal benefit analysis on each such project and evaluate the total benefits projected from all financial incentive programs the City might offer for the project, including tax abatement. The amount of EDIF assistance offered to other eligible projects, programs, and/or a grant/loan from the WDC or SAGE, initiatives will be evaluated and determined based on the individual merits of each request in accordance with the principles set forth herein.

3.1. If

Section 5. Wage and Benefit Requirements:

When EDIF incentives and/or economic development grant incentives under Chapter 380 connected to jobs creation and/or retention are assistance is offered to an eligible job recruitment or retention/expansion project, the or program, that project must, at a minimum, meet the following requirements:

Living Hourly Wage Requirement: In order to be eligible for an EDIF grant, one hundred percent (100%) of the company's new and existing employees at the project location must earn no less than a "living wage" throughout the full term of the EDIF Grant Agreement. This wage is based on the poverty level for a family of four, as determined annually (January) by the U.S. Department of Health and Human Services (HHS). a. — Meet one or more of the eligible project categories listed in Section 1.1 above.

b. New and retained jobs benefiting from grant and/or loan funds at the project site must meet the "Living Wage" standard (currently \$11.68/hour, and updated annually).

a) e. — As of January 2016, the living wage requirement is \$11.68 per hour.

b) All Industries Median Hourly Wage Requirement: In addition to the "Living Wage" requirement, after one year of initiating full operations at the project location, but not more than two years after execution of the EDIF Grant Agreement with the City, at least seventy percent (70%) of all new and existing employees, with at least one year of full employment with the company at the project location, must earn a cash wage at or exceeding the annual San Antonio Metropolitan Statistical Area (MSA) Median Hourly Wage for All Industries (Companies) for the most recent year available. This wage is compiled by the Bureau of Labor Statistics (BLS) Occupational Employment Survey and published annually by the Texas Workforce Commission (TWC). \$14.96/hour, and as updated annually. This wage is updated annually, and for 2016 the current applicable wage is \$15.68 per hour.

d. Demonstrate that EDIF assistance is essential to the City's ability to favorably compete with other cities to attract a targeted project that creates new jobs, to retain jobs that may relocate elsewhere or to assist in the expansion of jobs by a local company that would not otherwise occur in San Antonio.

c) e. — The company must provide each full-time person employed at the project location and his or her dependents with access to a health insurance program within one year from date of employment similar to those benefits offered to all employees.

f. Result in a positive cost-benefit to the City over at least a 20-year period.

Formatted: List Paragraph, Numbered + Level: 1 + Numbering Style: a, b, c, ... + Start at: 1 + Alignment: Left + Aligned at: 0.25" + Indent at: 0.5", Tab stops: 0.38", Left + Not at 0" + 0.75"

Formatted: Indent: Left: 0", First line: 0"

Formatted: List Paragraph, Numbered + Level: 1 + Numbering Style: a, b, c, ... + Start at: 1 + Alignment: Left + Aligned at: 0.25" + Indent at: 0.5"

Formatted: List Paragraph, Indent: Left: 0", First line: 0"

Section 46. Use of EDIF Funds:

46.1. The EDIF may be used in combination with other incentive tools and programs in the development of a proposed incentive package for a specific project that will ~~retain and/or create jobs in a targeted industry; attract, retain and/or expand jobs in a targeted industry.~~ The EDIF may also be used for projects, programs, and initiatives that promote entrepreneurial development, spur innovation, facilitate the commercialization of local technology and intellectual property, grow startup companies in Targeted Industries, and support workforce development initiatives.

Formatted: Tab stops: Not at 0.38" + 3.51"

4.2. ~~The EDIF may be used to provide economic development loans and grants pursuant to Chapter 380, Texas Local Government Code, to help fund the following types of job retention, expansion and/or creation projects and project-related expenditures:~~

Formatted: Tab stops: 0.38", Left

~~a. _____~~ 6.2. Projects, programs, and initiatives must demonstrate that EDIF assistance is essential to the City's ability to compete favorably with other cities to attract a targeted project that creates new jobs, to retain jobs that may relocate elsewhere, to assist in the expansion of jobs by a local company, or to develop programs or projects for entrepreneurial development or the Creative Industries that would not otherwise occur in San Antonio.

6.3 Approved EDIF funds may be used for the following expenditures:

- a) Public improvements associated with the project;
- ~~b. Training for new or retained jobs;~~
- b) Training programs and other initiatives to develop and sustain a skilled workforce for the Targeted Industries and the Creative Industries;
- ~~b)c) _____~~ Real and personal property acquisition and site development;
- ~~e)d) _____~~ Company relocation expenses for moving operations to San Antonio;
- ~~d)e) _____~~ Facility construction and/or real property improvements;
- ~~e)f) Studies or planning that promote growth in the targeted industries and/or areas; Targeted Industries.~~
- ~~f)g) Grants or loans to the San Antonio Economic Development Corporation and the San Antonio Economic Development Foundation;~~
- h) Utility infrastructure costs for eligible projects not totally funded by CPS Energy; and SAWS;
- ~~g)i) Grants or loans to community partners, such as the WDC, SAGE, and SAGE; others;~~
- ~~h)j) Restoration or adaptive reuse of existing structures associated with a project retaining and/or creating jobs, including existing structures over the Edwards Recharge Zone or Contributing Zone; and~~

Retail

e. ~~Entrepreneurial development programs and call-center projects/initiatives in the Reinvestment Plan Areas.~~

k) Targeted Industries subject to Section 52.1(e);

l) Third party due diligence, evaluation, and financial analysis of eligible projects; and/or

m) Marketing, events, sponsorships, trade shows, and trade missions in support for entrepreneurial development and Targeted Industries and support for industry advocacy groups.

Section 7. Ineligible and Restricted Areas or Uses:

The following types of projects or uses are not eligible for EDIF funding assistance:

- a. Projects involving new construction over the Edwards Recharge or Contributing Zone that will result in additional impervious cover at the project site.
- b. Retail businesses and call centers. However, staff may consider such projects in the ICRIP on a case-by-case basis.
- c. Hotels and motels.
- d. Projects that will negatively impact military missions and/or installations.
- e. ~~Projects that have been issued a building permit, including any conditional permits.~~
- f. ~~c. Projects~~ Job creation and retention projects that do not meet the Wage Requirements.

Section 68. Authorization for Use:

The City Manager is authorized to offer EDIF funds for recruitment and retention/expansion projects and programs meeting the eligibility requirements and make recommendations to City Council. All agreements for the use of funds from the EDIF must receive City Council approval, except for professional services agreements under \$50,000, which the City Manager may approve, as authorized under the City's Administrative Directive 1.6 Purchasing Procedures. Staff will first advise the City Council Economic and ~~Community~~ Human Development Committee ~~members~~ before entering into any ~~proposed Agreements~~ such agreements involving studies and/or programs related to policy issues.

Section 79. Amount of EDIF Incentive per Project or Program:

9.1 Grant Funding: The amount of incentive ~~perfor a job creation and/or retention~~ project will be based on the amount of capital investment, location of the project, job creation/retention, average annual salary, entrepreneurial nature of the project or program, type of industry and other factors. Grant payments will be disbursed based on terms negotiated with the recipient. Generally, payments will not be made until the project receives a Certificate of Occupancy, lease commencement, and/or based on ~~the~~ entrepreneurial startup costs, and/or job creation schedule milestones.

79.2 Loan Funding: Loans for projects are encouraged, and the total amount of an EDIF loan for any one project will generally be limited to the amount of new taxes generated by the proposed development over a five-year period up to \$1.0 million for projects locating in the ICRIP area and up to \$500,000 for projects locating outside the ICRIP. The terms of any loan will generally include an interest rate based on City's average rate of return at the time of the loan (as determined by the Finance Department) or a rate separately negotiated. ~~Loan~~Normally, loan payments will ~~normally~~ not be disbursed until the issuance of a Certificate of Occupancy, unless otherwise negotiated. A loan repayment schedule with interest will be negotiated separately ~~negotiated~~ for each project or program and incorporated into a Loan Agreement. If possible, the City will secure the loan with some form or reasonable collateral: and/or personal guarantee. All loan repayments and interest will be deposited back into the EDIF.

79.3 - Staff will use the following table as a general guide in determining the amount of potential grant to recommend for a business recruitment project creating new jobs. Staff may individually consider projects involving startup companies and the retention ~~and~~/expansion of local jobs and ~~offer a competitive~~negotiate an appropriate grant amount to recommend to City Council. In considering EDIF requests from local companies to retain and/or loan based on an evaluation of expand jobs, staff will evaluate the fiscal and economic impact of the project, the threat of losing jobs to another community, the location of the jobs in San Antonio, the level of new investment proposed, the type of industry, and the competition for these jobs in other communities.

| Any Location in the City Limits | ICRIP | Corporate Headquarters (Any Location) |
|---|---|--|
| Up to 1.0% of Investment and <u>And/Or</u> Up to \$3,000 per job | Up to 1.5% of Investment and <u>And/Or</u> Up to \$5,000 per job | Up to 1.5% of Investment and <u>And/Or</u> Up to \$10,000 per job |

79.4 In determining the amount of any grant to offer a qualifying project, staff will consider and give additional weight to projects with a significant number of jobs paying annual wages exceeding the Bexar County average weekly wage, jobs in one of the ~~targeted industries of Biosciences, Cyber Security/IT, Aerospace and Renewable Energy~~Targeted Industries, programs designed to encourage and promote entrepreneurial development in the Targeted Industries, and those projects that intend to apply and receive any level of certification under the Leadership in Energy and Environmental Design for all or part of a project.

8Section 10. Recapture Provisions:

EDIF Agreements for business recruitment and retention/expansion projects will include a provision for the recapture of City EDIF financial incentives (e.g. grants and loans) in the event Agreement terms and requirements are not met. These recapture provisions will survive any subsequent

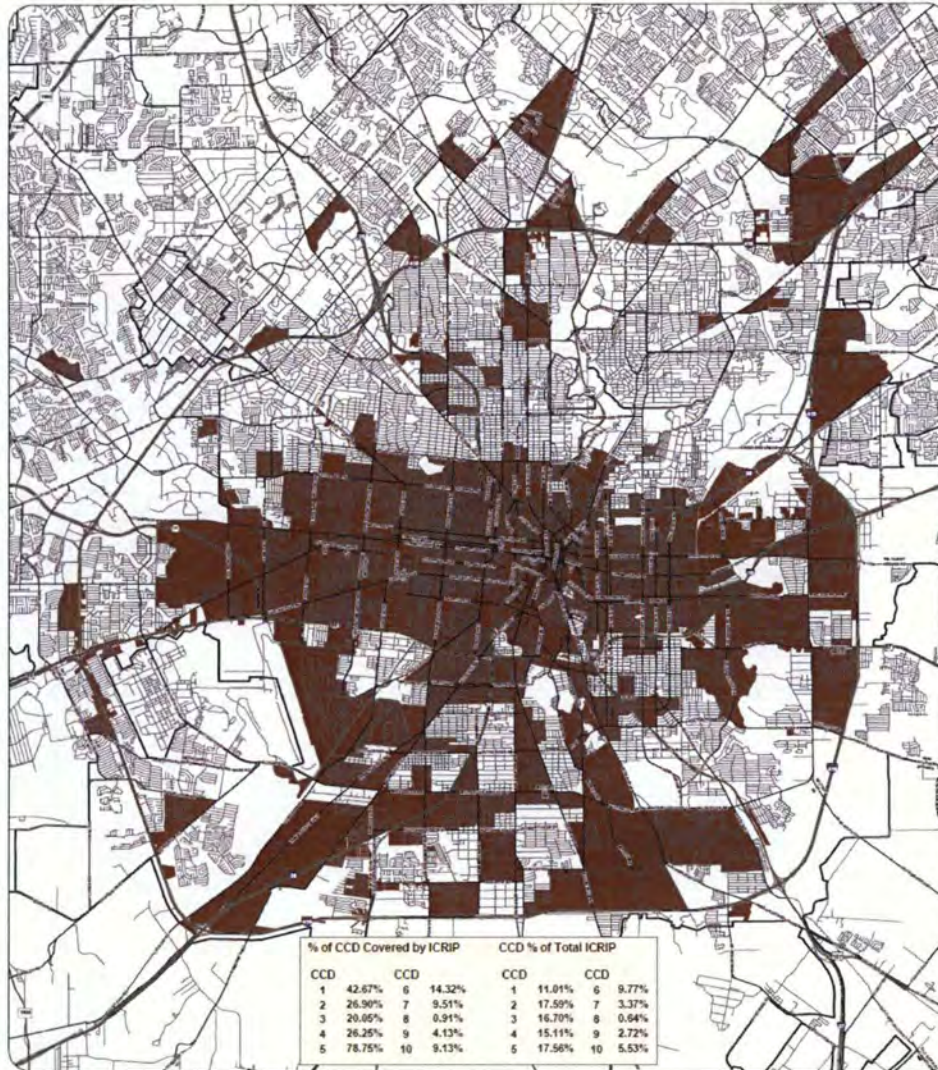
assignment of the Agreement and will generally run up to five years beyond the final disbursement of any EDIF funds or the end of the specified job creation term.

9Section 11. Administration of the EDIF:

The Economic Development Department will administer the EDIF program and coordinate with other City Departments, such as the Center City Development ~~Office~~ Operations Department, Office of Military Affairs, and Finance Department.

Appendix A

Inner City Reinvestment/Infill Policy (ICRIP) Area Map

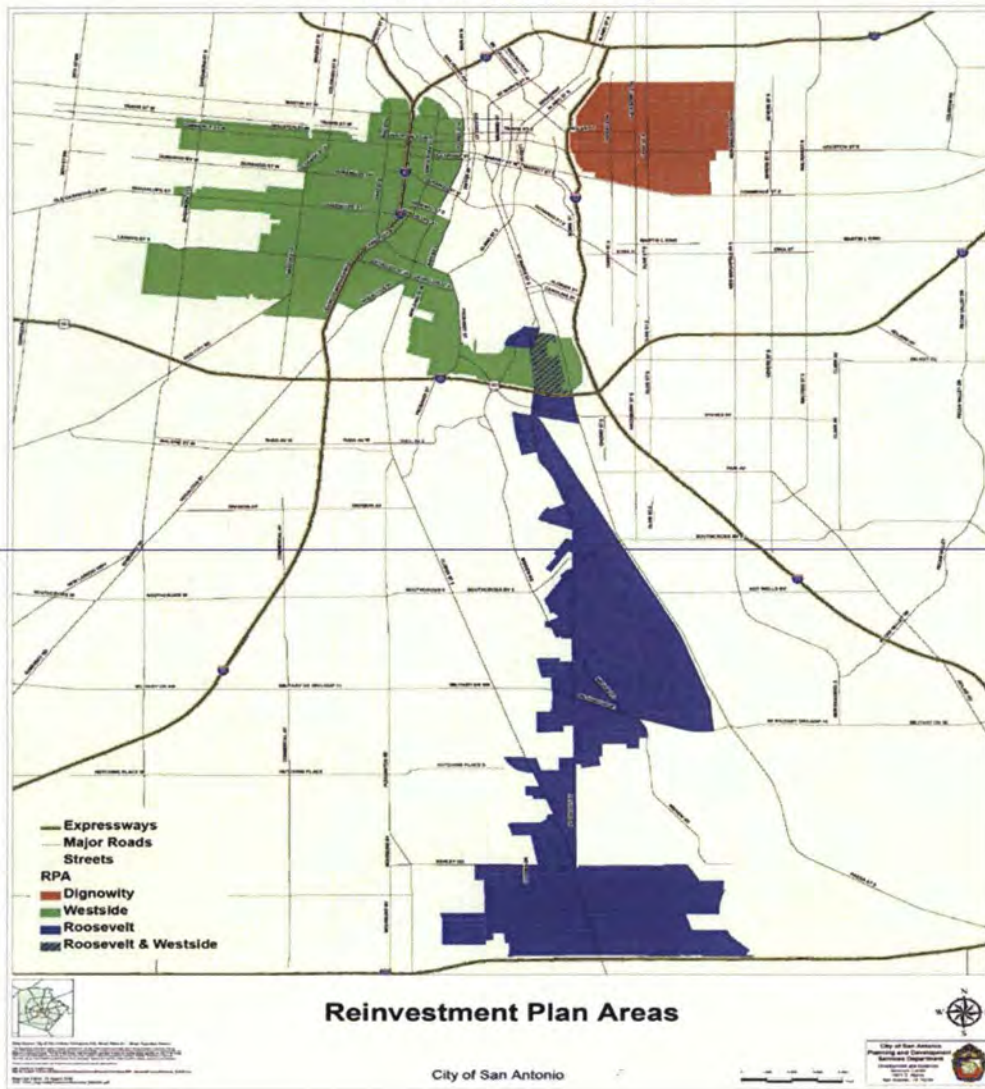


ICRIP, as Amended 1/10/2013
18.02% or 84.08 Sq. Mi. of CoSA



Appendix B

Reinvestment Plan Area Map



Formatted: Font: Times New Roman

