

**State of Texas
County of Bexar
City of San Antonio**



**DRAFT
Meeting Minutes
City Council B Session**

City Hall Complex
105 Main Plaza
San Antonio, Texas 78205

Wednesday, November 28, 2018

2:00 PM

Municipal Plaza Building

The City Council of San Antonio convened in the “B” Room of the Municipal Plaza Building. City Clerk Leticia Vacek took the Roll Call noting the following Councilmembers present:

PRESENT: 10 - Mayor Nirenberg, Treviño, Shaw, Saldaña, Gonzales, Brockhouse, Sandoval, Pelaez, Courage, and Perry

ABSENT: 1 - Viagran

Mrs. Vacek announced that Councilmember Viagran was out of the country attending the Conference of Organization of the World Heritage Cities.

1. Briefing on draft recommendations for the 2019-2020 Tax Abatement Guidelines. [Carlos Contreras, Assistant City Manager; Rene Dominguez, Director, Economic Development]

Rene Dominguez stated that staff had worked with the Economic and Workforce Development Council Committee since March 2018 to develop the proposed Tax Abatement Guidelines. He provided an overview of discussions regarding inclusive growth and noted a commitment to embed an equitable approach into programming. He described the Distressed Community Index and noted that 400,000 residents of Bexar County lived in

distressed areas. He noted that distressed conditions had a direct correlation to economic competitiveness. He stated that Tax Abatement Guidelines were important for defining the principles for economic development investments. He noted that the State required the guidelines to be reviewed every two years so they could be modified over time. He recommended two or three large incentive-based projects per year.

Adrian Perez stated that Economic & Planning Systems, Inc. (EPS) conducted a study to assess national best practices, assess the impact of policies on the effectiveness of incentives, and co-develop 2019-2020 Tax Abatement Guidelines to adopt an inclusive Growth Framework. He noted that the complete report from EPS would be released the following week. He stated that EPS utilized the Distressed Communities Index indicating that highly distressed areas reflected policies to combat job loss. He noted that high performing areas had policies focused on more acute issues such as gentrification and displacement. He stated that San Antonio fell in the middle with good job growth but a relatively high poverty rate. He noted that economic development policies in San Antonio should continue to focus on targeted industries while providing more inroads for local residents. He stated that staff examined tiered incentives, win/win projects, hiring, training and education, and geography.

Mr. Perez stated that guiding principles for developing recommendations were to connect projects, people, and place; focus on workforce training and education; and maximize current investments. He recommended modification of abatement geography to utilize an Inclusive Growth Area (IGA) to include zip code tabulation areas (ZCTAs) based on poverty; opportunity zones; and regional centers. He noted that ZCTAs were divided into Tier I at 20% poverty or more; Tier II at 30% poverty or more; and Tier II at 40% poverty or more. He stated that the map would be reevaluated following the 2020 Census. He noted that projects would be categorized as Industry Projects or Upskill Projects based on their focus. He provided a comparison of 2017-2018 Guidelines and 2019-2020 Guidelines for Industry Project eligibility. He noted that recommended requirements included \$10 million in investment or 50 new jobs and 100% of jobs at living wage, or \$12.07 hourly; and 70% at all-industry wage, or \$16.65 hourly. He stated that abatement lengths were based on location inside or outside the IGA and required meeting three out of the following five priorities: Targeted Industry; High Wages; Paid Internships or Continuing Education Support; inclusive hiring from the IGA; and Partnership Options. He noted that the abatement amount was reduced by 50% if only two priorities were met. He stated that partnership options included Small, Minority, Women, Veteran-Owned Business Enterprise (SMWVBE) utilization, sustainability, health and wellness, and commuter benefits.

Mr. Perez described the Upskill Partners Network (UPN) which enhanced long-term workforce development. He noted that staff worked with the partners to adopt a pilot information system that would connect participants with employers and delegate agencies. He recommended implementation of two Upskill Projects annually with a focus on hiring

from Tier II and Tier III populations; UPN Information System Candidates; or Work Opportunity Tax Credit (WOTC) eligible populations.

Jenna Saucedo-Herrera expressed support for the recommendations on behalf of the Economic Development Foundation and highlighted the importance of optionality and objectivity.

City Clerk Vacek read a prepared statement on behalf of Councilmember Viagran in support of the recommendations which noted the importance of connecting distressed communities with services to support workforce development.

Mayor Nirenberg stated that the goal of tax abatement programs was to enhance the public good and asked if staff considered weighting priorities to enhance certain goals. Mr. Dominguez replied that targeted industry was designated as a separate priority to encourage same. Mayor Nirenberg asked of the return on investment for economic development incentives. Mr. Dominguez replied that the return was \$5.22 per dollar invested and there was an additional \$30 in private sector investment leveraged through the incentives. Mayor Nirenberg asked of tax abatement transparency standards. Mr. Dominguez replied that all tax abatement and grant agreements were listed online for public viewing and the list was updated annually.

Councilmember Perry asked of easing administrative burdens for new requirements. Mr. Dominguez replied that monitoring was designed to be the least onerous as possible so staff could monitor adequately. Councilmember Perry expressed the importance of working with existing companies to help them remain in San Antonio and grow. Ms. Saucedo-Herrera expressed agreement and noted that such engagement combined with site selector input would help San Antonio become more competitive.

Councilmember Saldaña asked of the current unemployment rate in San Antonio. Mr. Dominguez replied that it was 3.1%. Councilmember Saldaña expressed support for the recommendations to address those actively looking for work as well as those who were disengaged from the labor market. He asked if abatements were as-of-right if companies met the requirements. Mr. Dominguez replied that they were not and all agreements were subject to City Council consideration and could be changed as allowed by contract terms.

Councilmember Pelaez expressed support for aligning equity-based values with economic development policy and asked of data from other cities indicating that similar programs were effective. Mr. Perez replied that data was scarce because the concepts were relatively new in relation to equity-based approaches. Mr. Dominguez added that staff would be tracking local data to determine success in San Antonio. Councilmember Pelaez expressed concern that existing regulations were already too onerous. Mr. Dominguez stated that staff gathered

data from businesses to discover and address regulatory challenges.

Councilmember Gonzales expressed support for larger allocations to Delegate Agencies to support positive outcomes through the UPN. Mr. Perez noted that staff was focused on gathering data to show that Delegate Agency outcomes could be tied directly to economic development goals. Councilmember Gonzales asked if limiting the program to two projects annually would provide enough data to demonstrate success. Mr. Perez replied that two annual projects were recommended due to capacity and the complexity of tracking participant data. Councilmember Gonzales expressed concern that the program would not generate results fast enough to correct the issues San Antonio faced.

Councilmember Courage asked of the required percentage to satisfy the high wage requirement. Mr. Perez replied that it was at least 30% of wages. Councilmember Courage asked of what was covered by the paid internship priority. Mr. Perez replied that it required the company to invest 5% of its abatement value in paid internships for five years. Mr. Dominguez added that the company could also choose to utilize the same amount to bring experts on site to assist with continuing education instead of paid internships. Councilmember Courage asked that the requirements be mandatory for the life of the agreement and suggested allowing companies to donate the 5% to other organizations that support workforce development. He expressed support for the recommendations.

Councilmember Brockhouse expressed concern that values such as equity were difficult to measure in businesses and unrealistic requirements would deter new business. He expressed support for consistent interaction and feedback from the business community and for the UPN.

Councilmember Courage asked what were considered targeted industries. Mr. Dominguez replied that they were Healthcare and Biosciences; IT and Cyber; Advanced Manufacturing; and New Energy. He noted that they were selected because San Antonio currently had a competitive advantage in middle-skill industries. Councilmember Courage suggested that target industry status not be considered a priority contributing to the tax abatement award.

Mayor Nirenberg noted improved economic momentum over time and the skilled workforce that attracts businesses to San Antonio. He thanked staff for the presentation.

RECESSED

Mayor Nirenberg recessed the meeting at 4:10 pm and announced that the meeting would resume in Executive Session at 4:25 pm.

EXECUTIVE SESSION

Mayor Nirenberg reconvened the meeting into Executive Session at 4:25 pm to discuss the following:

- A. Economic development negotiations pursuant to Texas Government Code Section 551.087 (economic development).
- B. The purchase, exchange, lease or value of real property pursuant to Texas Government Code Section 551.072 (real property).
- C. Legal issues related to charter amendments pursuant to Texas Government Code Section 551.071 (consultation with attorney).

RECONVENED

Mayor Pro Tem Courage reconvened the meeting at 6:05 pm and announced that no action was taken in Executive Session. He announced that the Executive Session would resume the next day following the Business Portion of the City Council Meeting.

PUBLIC HEARING

City Clerk Vacek read the caption for Item 2:

- 2. First public hearing of the proposed voluntary annexation of a 15.99 acre property in North Central Bexar County as requested by the Herlinda Cantu Family LP, the property owner, located at 23211 US Highway 281 North, and generally located southwest of the intersection of Northwind Boulevard and US Highway 281. [Peter Zaroni, Deputy City Manager; Bridgett White, Director, Planning Department]

Mayor Pro Tem Courage declared the public hearing on the proposed voluntary annexation open.

There being no citizens registered to speak, Mayor Pro Tem Courage declared the public hearing on proposed voluntary annexation closed.

City Clerk Vacek read the caption for Item 3:

3. First public hearing of the proposed voluntary annexation of a 90.73 acre property in Southwest Bexar County as requested by the property owners Hand-Up Homes, LLC. generally located in County Block 4298, adjacent to Watson Road, contiguous to the City of San Antonio limits and located within the San Antonio extraterritorial jurisdiction. [Peter Zaroni, Deputy City Manager; Bridgett White, Director, Planning Department]

Mayor Pro Tem Courage declared the public hearing on the proposed voluntary annexation open and called upon the citizens registered to speak.

Artman Bland expressed concern with code violations that might occur in annexed areas.

Mayor Nirenberg entered the meeting at this time and presided.

Mark Perez expressed concern with providing adequate code enforcement services if annexation was approved.

There being no other citizens registered to speak, Mayor Nirenberg declared the public hearing on the proposed voluntary annexation closed.

CITIZENS TO BE HEARD

Mayor Nirenberg called upon the citizens registered to speak under Citizens to be Heard.

Artman Bland expressed concern with crime in his neighborhood and police conduct.

Mark Perez expressed concern with businesses operating without the necessary permits.

Nazirite Ruben Flores Perez spoke against idolatry and celebrating Christmas with trees.

Queta Rodriguez, Lourdes Galvan, and Bear Velasquez representing Veterans Advocates addressed the City Council. Ms. Rodriguez spoke of local veterans' experiences and her expertise in securing benefits for veterans and their families. She expressed concern that veterans would not receive adequate services resulting from changes at the County Level and asked the City Council to intervene on their behalf.

Rhett Smith spoke of the importance of the First Amendment and wished everyone Happy Holidays.

RECESSED

There being no further discussion, Mayor Nirenberg recessed the meeting at 6:40 pm.

APPROVED

RON NIRENBERG
MAYOR

ATTEST:

LETICIA M. VACEK, TRMC/CMC/MMC
CITY CLERK