

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



**Meeting Minutes  
City Council B Session**

City Hall Complex  
105 Main Plaza  
San Antonio, Texas 78205

**Wednesday, June 9, 2021**

**2:00 PM**

**City Hall Briefing Room**

**ROLL CALL**

The City Council convened in a Regular Meeting. City Clerk Tina J. Flores took the Roll Call noting a quorum with the following Councilmembers present:

**PRESENT:** 10 - Mayor Nirenberg, Andrews-Sullivan, Viagran, Rocha Garcia, Gonzales, Cabello Havrda, Sandoval, Pelaez, Courage, and Perry

**ABSENT:** 1 - Treviño

1. Briefing on recommended updates to the City's economic development incentive guidelines. [Alejandra Lopez; Assistant City Manager and Interim Director, Economic Development]

Jon Hockenyos, President of TXP, Inc. (TXP) stated that the State of Texas was largely uninvolved when compared with other states regarding tax incentives and there was a greater tax burden at the local level. He noted that a variety of factors influenced a company's decision to relocate or expand including workforce, physical site, access to markets, transportation capacity and relationships. He indicated that workforce development and training had never been more important to economic development than it was now. He added that the ability to remote work required a commitment to a well-designed and attractive workplace.

Mr. Hockenyos indicated that incentives should balance:

- Need to compete, retain and reinvest
- Need for net positive economic and fiscal transaction

- Need to serve broader community equitably and sustainably

Mr. Hockenyos reported that a framework was created for evaluating companies and economic development projects which included a list of criteria that points could be assigned to. He reported that the following themes were identified by TXP:

- Compete in global environment
- Importance of place, equity and clarity
- Refocus on firms vs. industry
- Incentives in broader economic development policy

Mr. Hockenyos stated that a more flexible evaluation approach to incentives for relocation/expansion that incorporated a scoring system should be created which would: 1) Assess the overall nature and scope of the net benefits; 2) Modify City's wage requirement; and 3) Develop evaluation matrix.

Economic Development Department Assistant Director Justina Tate stated that recommendations presented were guided by the work of TXP, practitioner feedback and stakeholder input. She reported that economic incentive guidelines included the following three categories:

- Chapter 312 agreements
- Chapter 380 agreements
- Small Business Chapter 380 grants

Ms. Tate presented recommended changes to incentive guidelines:

<b>Requirement Criteria</b>	<b>Current Guidelines</b>	<b>New Chapter 312 Tax Abatement Requirements</b>	<b>New Chapter 380 Agreement Requirements</b>
Number of jobs/capital investment	50 jobs or \$10 million	50 jobs and \$200 million	50 jobs or \$10 million
Wages	100% meet living wage (\$12.74) 70% meet all industry wage (\$17.37)	100% meet \$15 75% meet all industry wage	100% meet \$15 75% meet all industry wage
Healthcare benefits package	Must offer healthcare benefits package	Must offer healthcare benefits package	Must offer healthcare benefits package
Workforce development	Engage in preferential interview and hiring	15% of employees hired from the Ready to Work Program or develop internship opportunities	15% of employees hired from the Ready to Work Program or develop internship opportunities

<b>Requirement Criteria</b>	<b>Current Guidelines</b>	<b>New Chapter 312 Tax Abatement Requirements</b>	<b>New Chapter 380 Agreement Requirements</b>
Equal pay	Not required	Gender pay parity practices in the workplace	Gender pay parity practices in the workplace
Other	Best effort to hire 25% from San Antonio	Included in evaluation criteria	Included in evaluation criteria

Ms. Tate reported that the evaluation criteria categories included:

- Targeted areas: equity matrix/Regional Centers
- Economic benefit
- Character of jobs/labor force
- Infrastructure impact

Ms. Tate stated the length of a Chapter 312 agreement and a Chapter 380 agreement would be determined by the equity matrix score of a particular census tract and if they were located in a Regional Center:

<b>Criteria for Location</b>	<b>312 Tax Abatement</b>	<b>380 Agreement</b>
Equity matrix score 2 to 5	Up to 5 years	Up to 5 years
Equity matrix score 6 to 10	Up to 10 years	Up to 15 years
In Regional Center	Additional 2 years*	Additional 2 years

\*Note: Maximum allowed by State Law for a 312 tax abatement was 10 years

Ms. Tate stated that staff recommended that evaluation criteria for the categories of: 1) Economic benefit; 2) Character of jobs/labor force; and 3) Infrastructure be developed and each company would be evaluated based on their responses and would receive a certain number of points. She noted that the higher the score, the higher the percentage they would be eligible for through a tax abatement or tax rebate.

Ms. Tate reported that evaluation criteria for economic benefit included:

- In San Antonio targeted industry
- Firm's headquarters
- Potential to seed new cluster or bring more firms to San Antonio
- Created significant contracting opportunities for local firms, including small/disadvantaged businesses
- Involved new production line or service

Ms. Tate stated that evaluation criteria for character of job/labor force included:

- 50% of new hires from San Antonio

- 50% full-time employees earn at least the Bexar County average weekly wage (approximately \$56,000/year)
- Provided training and opportunities for advancement
- Actively promoted diversity in hiring/promotion
- Hired populations with employment barriers
- Offered benefits to include paid leave, health and wellness benefits

Ms. Tate reported that evaluation criteria for infrastructure (if required) included: 1) Weigh possible infrastructure impact; and 2) Identify infrastructure improvements with strong community benefits.

Ms. Tate presented the incentive threshold level options for Chapter 312 tax abatement and Chapter 380 Agreement:

Per job grant*	Abatement of property taxes <sup>2</sup>	Rebate property taxes <sup>2,3</sup>
60-79 points=3% of annual wages 80 or more points=5% of annual wages	40 points=40% 50 points=50% 60 points=60% 70 points=70% 80 points=80% 90 points=90% 100 points=100%	40 points=40% 50 points=50% 60 points and above=60%

\*Capped at \$1,500 annually

Ms. Tate provided several example projects and their scoring subject to the proposed changes. She presented the recommended changes to the guidelines for small businesses:

Requirement Criteria	Current Guidelines	Chapter 380 Grants-Small Business
Number of jobs/capital investment	N/A	5 new jobs
Wages	N/A	Same requirement as 312 and 380 agreements
Healthcare benefits package	N/A	Same requirement as 312 and 380 agreements
Workforce development	N/A	Not required
Equal pay	N/A	Same requirement as 312 and 380 agreements
Number of employees	N/A	Must meet Small Business Administration standard for industry
Gross Revenues	N/A	Must meet Small Business Administration standard for industry

Ms. Tate presented the small business criteria and scoring:

Location	Length of Term*
Equity matrix score 2 to 5	Up to 5 years
Equity matrix score 6 to 10	Up to 10 years
In Regional Center	Additional 2 years

Evaluation Criteria	Does Not Meet	Meets Criteria
Targeted industry	0	30
Owned by people of color or Women	0	40
100% of job wages higher than census tract	0	30
Total available points	0	100

\*Note: maximum allowed was 10 years

Ms. Tate provided several examples of small business grants and their scoring subject to the proposed changes. She stated that recommendations were presented to the Economic and Workforce Development Council Committee who expressed support for the Small Business Program, the wage requirement, pay parity, workforce development and the evaluation criteria. She reported that the Committee discussed the following changes:

- Remove target industry
- Expand location beyond Regional Centers
- Include non-profits
- Remove exclusion of some services – medical services

Ms. Tate reviewed the timeline for the next steps and noted that final economic incentive guidelines would be presented to City Council in August 2021.

Mayor Nirenberg stated that this had been a comprehensive process that the City had been looking forward to for a long time. He noted that he appreciated the higher standard for the Chapter 312 tax abatements. He asked if the policy would be reviewed annually. Ms. Tate stated that by State Statute, the tax abatement guidelines had to be updated every two years.

Mayor Nirenberg asked how the City's policy would compare to those of other cities in Texas and others outside of our region that the City competed with. Mr. Hockenyos stated that the policy positioned the City to be more nuanced, modern and more responsive to the requirements that were out there. He noted that the framework was aligned with community priorities and long term vision for San Antonio.

Mayor Nirenberg asked how many Chapter 312 agreements were active right now. Ms. Tate stated that there was a total of 70 active agreements to include Chapter 312 and Chapter 380 agreements and Chapter 380 grants. She stated that she would provide information of the number of Chapter 312 agreements.

Mayor Nirenberg asked if criteria for economic benefit would be weighted and allow the City flexibility. Ms. Tate stated that it would be flexible and staff would review responses to all

economic benefit criteria and would be designated as not meeting the criteria or acceptable or excellent.

Councilmember Viagran recognized the importance of flexibility in the policy. She asked how gender pay parity practices in the workplace would be defined. Ms., Tate stated that it would be defined by whether or not the company had an established practice for equal pay regardless of gender. Councilmember Viagran stated that she wanted to make sure that evaluators were changed periodically to avoid unconscious bias. Mr. Hockenyos indicated that he would recommend that companies made their case based on the evaluation criteria which would reduce the administrative burden on City staff.

Councilmember Andrews-Sullivan stated that she would like to see hiring from a certain Council District added to the evaluation criteria for character of job/labor force. Mr. Hockenyos stated that more points could be assigned the more the company hired locally and bonus points could be assigned to meet an objective standard within a Council District. Councilmember Andrews-Sullivan recommended making that part of the process. She recommended that community partnership structures, and including a criteria for summer-based employment opportunities. Mr. Hockenyos stated that staff could find a way to incorporate those things into the evaluation process.

Councilmember Cabello Havrda asked how much an equity matrix score impacted an incentive. Mr. Hockenyos stated that the equity matrix score had a big impact on incentives especially for companies who were willing to locate in a historically disadvantaged area. Councilmember Cabello Havrda stated that companies moving to areas with a higher equity matrix score should receive a higher incentive.

Councilmember Rocha Garcia asked what would happen if graduates of the Ready to Work Program had not been trained in the industry of the applying company. Ms. Tate stated that the company would be required to provide an internship opportunity. Councilmember Rocha Garcia asked how companies would prove that they had gender pay parity. Assistant City Manager Alejandra Lopez stated that staff had access to wages which were not tied to a particular individual.

Councilmember Pelaez suggested that the Economic and Workforce Development Council Committee meetings begin with a story of how the City's economic development policies benefited individuals and businesses. He suggested that the policy excluding companies that provided medical retail services be removed. Mr. Hockenyos stated that City Council may want to consider jobs and companies that were not in targeted industries because they met our existing workforce.

Councilmember Sandoval stated that she would like to see the Property Assessed Clean Energy (PACE) Program, the Climate Action and Adaptation Plan (CAAP) and the Sustainability Plan integrated into the guidelines.

Councilmember Courage stated that companies received an immediate impact from incentives but the City may not receive the return on investment for 10 or 15 years. He noted that property owners around the area start feeling the impact the next time their property was appraised and the

City needed to consider this when talking about value to the City. He spoke of the Ready to Work Program and the need to make it successful. He asked if projects would include the value to the City. Ms. Tate stated that a cost fund analysis would be performed for each project and would be a part of the evaluation.

Councilmember Perry asked how the City's policy compared with other Texas cities. Mr. Hockenyos stated that the information would be included in the report which would be forthcoming. He indicated that the policy would be comparable to that of the City of Austin, with the City's criteria being more flexible. He noted that the evaluation criteria for the Cities of Dallas, Houston and Fort Worth were more comparable to the San Antonio's previous criteria.

Councilmember Gonzales asked of other factors in a company's decision of where to locate. Mr. Hockenyos stated that other factors were the fundamentals which went into the company's business such as workforce and transportation capacity.

Councilmember Andrews-Sullivan asked how the Small Business Disparity Study would be incorporated into criteria. Ms. Lopez stated that the Small Business Disparity Study focused on the City's contracting efforts. Councilmember Andrews-Sullivan recommended that the City expand on business attraction.

Councilmember Pelaez suggested that expectations that the customer would receive competitive times compared to other cities be included. Ms. Lopez stated that the place components to San Antonio were the differentiator and provide prospective companies would be provided clear instructions on how they would be evaluated.

Councilmember Rocha Garcia asked if the San Antonio Economic Development Foundation (SAEDF) reviewed the policy. Mr. Hockenyos stated that they did and staff would continue to meet with them and other economic development corporations.

Councilmember Perry asked if staff reached out to companies that had come to San Antonio. Ms. Tate indicated that Mr. Hockenyos conducted interviews with 18 individuals and stakeholder meetings were held with chambers, development corporations, small businesses and workforce development corporations. She added that they were asked questions regarding equity, small business, workforce development, and wages and benefits.

Councilmember Viagran asked where economic mobility opportunities could be integrated if retail was incorporated. Mr. Hockenyos stated that if retail was incorporated, staff could review what kind of tuition matching programs or other programs that a company had.

Mayor Nirenberg asked if the City should provide points for Veteran-owned businesses in the same way as those in the Small Business Economic Development Advocacy (SBEDA) Program. Mr. Hockenyos stated that the Small Business Administration (SBA) awarded points for Veteran-owned businesses consistent with that.

Mayor Nirenberg spoke of utilizing the CAAP, the Sustainability Plan and the Multi Modal Transportation Plan to award additional points. Mr. Hockenyos stated that broadband was an area to consider as well.

Mayor Nirenberg stated that he would like the City to adopt standards in the policy by which economic incentives and return on investments were discussed. Ms. Lopez stated that all incentives were posted on the Economic Development Department's website and a summary of jobs created to date and their value was provided on the website.

Ms. Tate provided the answer to the Mayor's first question which was how many Chapter 312 Agreements were active at this time. She stated that there were 43 active Chapter 312 Agreements.

### **EXECUTIVE SESSION**

Mayor Nirenberg recessed the meeting at 4:25 PM to discuss the following items:

- 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 collective bargaining pursuant to Texas Government Code Section 551.071 (consultation with attorney).
- D. Legal issues related to litigation involving the City pursuant to Texas Government Code Section 551.071 (consultation with attorney).
- E. Legal issues relating to COVID-19 preparedness pursuant to Texas Government Code Section 551.071 (consultation with attorney).

Mayor Nirenberg reconvened the meeting at 5:02 PM and announced that no action was taken.

### **ADJOURNMENT**

There being no further discussion, Mayor Nirenberg recessed the meeting at 5:02 PM.

**APPROVED**

**RON NIRENBERG**  
Mayor

Attest:

**TINA J. FLORES**  
City Clerk