City of San Antonio

Legislation Details (With Text)

File #:	19-2389
Type:	Resolution
	In control: City Council A Session
On agenda:	3/7/2019
Title:	Resolution nominating Accenture Federal Services, LLC at 7050 Fairgrounds Pwky as a Texas Enterprise Zone Project.
Sponsors:	
Indexes:	
Code sections:	
Attachments:	1. COSAContractsDisclosureForm (002), 2. Safeguard 380 Grant Agmt (ELECTRONIC SIGNATURE) (2.25.19), 3. Draft Ordinance A, 4. Draft Resolution B, 5. Resolution 2019-03-07-0024R

Date	Ver.	Action By	Action	Result

DEPARTMENT: Economic Development

DEPARTMENT HEAD: Rene Dominguez

COUNCIL DISTRICTS IMPACTED: 1**,** 6, & 8

SUBJECT:

Consideration of (A) an Ordinance authorizing a Chapter 380 Economic Development Incentive Fund Grant Agreement of $500,000 with Accenture Federal Services, LLC (Accenture) and (B) a Resolution nominating Accenture for designation as a Texas Enterprise Zone Project.

SUMMARY:

Accenture Federal Services, LLC (Accenture) is considering expanding the company's operations at its three project sites in San Antonio. The project would include the creation of 500 new, full-time jobs over four years with a proposed capital investment of $5 million in real and personal property. Staff is requesting City Council consideration of an Ordinance authorizing a Chapter 380 Economic Development Incentive Fund (EDIF) Grant Agreement with Accenture for up to a maximum of $500,000, based on the creation of 500 new, full-time jobs within four years of which 250 will earn at least $50,000 annually. Of the grant amount, $250,000 will be restricted to workforce development in order to support the company's robust internship program and its training program. Funding in the amount of $500,000 is available in the Economic Development Incentive Fund FY 2019 Adopted Budget. Staff is also requesting Council consideration of a Resolution nominating Accenture for designation as a Texas Enterprise Zone Project.

BACKGROUND INFORMATION:

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Started in the 1950s as the business and technology consulting division of Andersen Consulting, Accenture is a leading global management consulting and professional services company, providing a broad range of services and solutions in strategy consulting, digital, technology, and operations. The company is headquartered in Dublin, Ireland and has operations in over 200 cities in 120 countries with a workforce of over 425,000 employees. The company has a strong federal contract side of business with 95 of the Fortune Global 100 listed as clients.

Accenture - in conjunction with its wholly owned subsidiaries, ASM Research (ASMR) and Defense Point Security (DPS) - is looking to expand its presence at their current San Antonio sites located at 112 E Pecan St., Suite 2950 (Council District 1), 10931 Laureate Dr (Council District 8) and 7050 Fairgrounds Pkwy (Council District 6). As part of this project, the company is looking to expand its federal contract work in those areas, making San Antonio's federal and military presence ideal. The company will be investing at least $5 million in new real and personal property.

Accenture is looking to increase their workforce in their delivery center operations with 500 new, full-time jobs over the course of the next four years, with 250 of the positions making at least $50,000 annually. These new jobs would be working in key focus areas such as IT and computer programming (digital, cloud, security, Java, testing, SAP, & Oracle). The average wage for the new positions will be $66,000 annually. San Antonio competed with Knoxville, Tennessee, for this project.

Accenture has already proven its willingness to contribute and become a part of the San Antonio community. The company is committed to inclusive hiring practices and in 2017, created an apprenticeship program at the Eastside Education and Training Center in partnership with St. Philip's College with a beginning group of 31 people. Since then, the program has expanded and included 75 apprentices last year. They are partners with SA Works and Workforce Solutions Alamo, and are also contributing members of the community's Cybersecurity Industry Council. Across the board, the company has also committed to hiring 5,000 veterans and military spouses by 2020. The company has shown a commitment to integrating themselves into the San Antonio community and helping our workforce grow.

The project aligns with several of the key long-term economic goals laid out in the City's SA Tomorrow Comprehensive Plan, as well as those presented in Forefront SA, the community's economic development strategic plan led by the San Antonio Economic Development Foundation (SAEDF). Such goals include the creation of high-wage, high-skill jobs, and support for the continued growth of the City's targeted industries. Additionally, the project presents an opportunity to grow our workforce talent in the city, creating a pipeline for citizens without degrees to gain specialized and in-demand training.

ISSUE:

In collaboration with the City's economist, Dr. Steve Nivin, staff prepared an economic analysis that estimated the direct impact from this project, the indirect impacts resulting from business-to-business transactions, and the induced impacts of increased spending at local businesses, at over $400 million in overall impact to the community over 5 years. The analysis also included a positive estimated fiscal impact of $3.5 million to the City over the same time period.

A. <u>Chapter 380 Economic Development Incentive Fund Grant Agreement</u>

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In order to secure this project, City staff recommends Accenture a Chapter 380 EDIF Grant Agreement of up to $500,000 ($1,000 / job). As part of the proposed Agreement, $250,000 of the funds will be unrestricted, performance-based, and dependent on the creation of 500 new, full-time jobs within four years, of which 250 will earn at least $50,000 annually at the identified sites. Additionally, the company and its subsidiaries must comply with the City's EDIF Guidelines, including Living Wage and All-Industry Wage requirements, and provide access to healthcare benefits for the company's employees and their dependents. The remaining $250,000 of the proposed Agreement will be restricted to workforce development funding, in order to support the company's robust internship program and its training program for incumbent workers currently in primarily IT and computer programing positions.

Finally, a single point of contact will be appointed for the company in order to assist with permitting and the city's Development Services Department needs.

Chapter 380 of the Local Government Code authorizes the City to provide economic development grants for the purposes of promoting economic development, provided that the City has established a program for such purposes. City Council approved a program promoting economic development in April 2005. The recommended incentive complies with EDIF Guidelines for per job grant amounts for targeted industry high wage jobs.

B. Resolution nominating designation as a Texas Enterprise Zone Project

Staff is also recommending a nomination to designate the project as a Texas Enterprise Zone Project, with potential refund of state sales and use taxes of up to $1,250,000. The primary business site for the application will be 7050 Fairgrounds Pkwy, and will serve as the qualified business site for the TEZ. In addition, a second and third site, located at 10931 Laureate Dr. and 112 E Pecan St., Suite 2950, respectively, will be included in the TEZ application. These three locations act as one cohesive unit, with each supporting the operations of the other. Because the primary site is not located in a State Enterprise Zone, in order to be eligible for state sales and use tax refunds on qualified expenditures, at least 35% of the company's new employees at the site must meet state economically disadvantaged, enterprise zone residency, or veteran requirements.

Additionally, for the purposes of the TEZ application, Accenture's wholly owned subsidiaries, ASM Research, LLC and Defense Point Security LLC, will be included as Additional Participating Entities as they are part of the operations at the project sites.

The City of San Antonio receives an allotment of nine potential TEZ Project designations every state biennium. Biennium 2018-2019 commenced on September 1, 2017. If the Accenture TEZ Project designation is approved by the State, the City will have four of its TEZ Project designations remaining for the remainder of this state biennium, ending on August 31, 2019.

ALTERNATIVES:

Based on the City's competitive offer and local support for this project and past projects, Accenture has decided to proceed with the expansion of its operations to San Antonio, creating a total of 500 new full-time jobs over four years, 250 of which will make at least $50,000 annually. City Council could choose not to approve the Ordinance authorizing the incentive agreement and the Resolution for a TEZ nomination, which may adversely impact Accenture's decision to grow its operations in San Antonio.

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FISCAL IMPACT:

This ordinance authorizes a performance-based Chapter 380 Economic Development Incentive Fund Grant Agreement with Accenture in the amount of $500,000. Of this amount, $250,000 will be restricted to workforce development. Funds in the amount of $500,000 are available from the Economic Development Incentive Fund FY 2019 Adopted Budget.

RECOMMENDATION:

Staff recommends approval of (A) an Ordinance authorizing the City to enter into a Chapter 380 EDIF Grant Agreement of $500,000 with Accenture and (B) a Resolution nominating Accenture as a Texas Enterprise Zone Project, with their location at 7050 Fairgrounds Pkwy designated as the primary, qualifying business site.

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