



City of San Antonio

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

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DEPARTMENT: Economic Development

DEPARTMENT HEAD: Alejandra Lopez

COUNCIL DISTRICTS IMPACTED: City-wide

SUBJECT:

Briefing on recommended updates to the City's economic development incentive guidelines.

SUMMARY:

This item will provide a briefing to the San Antonio City Council on the recommended updates to the Economic Incentive Guidelines.

BACKGROUND INFORMATION:

The City utilizes several tools to support the recruitment of new jobs and private investment to San Antonio and the expansion of existing San Antonio companies. These tools include Chapter 312 Economic Development Agreements and Chapter 380 Economic Development Agreements.

Chapter 312 of the Texas Tax Code provides local governments with the authority to enter into tax abatement agreements to promote the attraction of new companies and the retention and expansion of existing businesses in order to create new jobs and investment. State law requires the adoption of the Tax Abatement Guidelines by City Council every two years. Additionally, Chapter 380 of the Texas Government Code provides the City with

the ability to issue grants for economic projects, and rebate taxes. While Chapter 380 does not mandate that City Council approve the Chapter 380 guidelines every two years, staff reviews on a bi-annual basis to ensure alignment with the Chapter 312 Guidelines.

In 2018, City Council approved a set of guidelines that support the City's priorities of:

1. Attracting new targeted industry jobs and investment;
2. Maximizing the competitiveness of local businesses; and
3. Supporting socioeconomic mobility for San Antonio residents.

Under these guidelines, the Economic Development Department (EDD) has prioritized opportunities with significant capital investment, job creation in targeted industries, and projects that demonstrate the capacity to promote access to job opportunities and training to distressed populations.

The current guidelines for Chapter 312 (tax abatements) and 380 (economic grants) prioritize projects that are in the City's approved Inclusive Growth Area (IGA). The IGA represents traditionally under invested areas in San Antonio where a majority of the residents in a given census tract have a low economic status. Additionally, staff takes into consideration other factors, including whether a project is in a targeted industry, wages for jobs created and level of capital investment.

As a result of the COVID-19 pandemic, staff shifted focus in 2020 and primarily engaged with the City's Recovery and Resiliency Plan, assisting the residents and business community with the ongoing crisis. Consequently, staff was unable to implement traditional outreach efforts to the residents and business community for major updates to the guidelines. In December 2020, staff requested that City Council re-authorize the 2019-2020 Tax Abatement guidelines with the understanding that a comprehensive outreach and review process would be conducted during the first half of 2021. Council approved the 2021-2022 guidelines on December 17, 2020.

ISSUE:

In January 2021, staff began conducting an extensive stakeholder outreach effort and engaged with consultants to develop new guidelines that align with City Council, stakeholder, and community priorities.

Part of the outreach efforts included in-depth interviews with economic development "practitioners"; people in San Antonio uniquely positioned to influence and directly support economic development projects (i.e. SAEDF CEO, Chamber Presidents, SAGE Executive Director, etc.). These in-depth interviews provided insight into current incentives' effectiveness, and the trends affecting current and future San Antonio economic conditions.

Following these in-depth interviews, staff engaged a consultant to conduct focus groups with other community members and organizations to obtain further feedback on the City's current incentive guidelines. These groups included the traditional "practitioners," San Antonio business owners, and advocacy groups and organizations.

Based on this information staff has prepared initial recommendations to update the City's economic incentive guidelines, which are focused on the following areas:

- Increasing initial wage requirements
- Including pay parity practices and workforce components into initial requirements
- Inclusion of a small business grant program

- Incorporating the Equity Matrix and Regional Center geographic locations into staff's evaluation
- Developing a Scoring Matrix to evaluate incentive applications
- Evaluate potential project's links to local economy, workforce, quality of jobs, and impact on infrastructure.

By incorporating these changes, the guidelines will address community priorities and trends that emerged in the interviews, focus groups, and research. The revised guidelines will help strengthen the City's dynamic workforce and provide a more transparent evaluation system for the benefit of the public and interested companies. Additionally, the guidelines will help facilitate more opportunities to empower the small business community and assist them in their growth and resiliency. Building off the success of the City's COVID-19 Recovery and Resiliency Plan, these updates will help strengthen the local economy further and develop an environment with sustainable jobs.

Staff presented initial recommended updates to the Economic and Workforce Committee on June 1 and feedback has been incorporated into the recommended changes to the Economic Development Incentives. Following this meeting, staff will finalize the guidelines, incorporating feedback received during this meeting. Staff will present the revised guidelines to City Council for final consideration and approval in August 2021.

ALTERNATIVES:

This item is for briefing purposes only

FISCAL IMPACT:

This item is for briefing purposes only and has no fiscal impact.

RECOMMENDATION:

This item is for briefing purposes only