



City of San Antonio

Agenda Memorandum

File Number:19-1458

Agenda Item Number: 5.

Agenda Date: 1/17/2019

In Control: City Council A Session

DEPARTMENT: Economic Development Department

DEPARTMENT HEAD: Rene Dominguez

COUNCIL DISTRICT IMPACTED: 8

SUBJECT:

City Council consideration of a Chapter 380 Economic Development Grant Agreement with Victory Capital Management Inc.

SUMMARY:

Victory Capital Management Inc., (**Victory Capital**) has chosen to relocate its headquarters from Ohio to San Antonio in combination with its upcoming acquisition of USAA Asset Management Company (**AMCO**) and USAA Transfer Agency Company d/b/a USAA Shareholder Account Services (**USAS**) (collectively, the **Acquired Companies**). The project will involve the relocation of 6 Victory Capital executive team members, the retention of 300 existing jobs, the creation of 51 new highly-paid jobs, partnership with the City relating to internships and financial literacy programs, and real and personal property investment of at least \$500,000. Staff is requesting City Council consideration and action on an Ordinance authorizing the City to enter into a Chapter 380 Economic Development Grant Agreement (**Economic Development Agreement**) with Victory Capital. The Economic Development Agreement will provide financial incentives to Victory Capital in an amount not to exceed \$500,000 over five years, based on Victory Capital's headquarter relocation, job and investment commitments. In sum, the project will consist of at least 357 jobs paying an average salary of \$96,000 for a minimum of 10-years. Funding in the amount of \$500,000 is available from the Economic Development Incentive Fund (**EDIF**) FY2019 Adopted Budget. Victory Capital's headquarter relocation, job and investment commitments are contingent upon the consummation of the acquisition of the Acquired Companies.

BACKGROUND INFORMATION:

Founded more than 100 years ago and headquartered in Cleveland, Ohio, Victory Capital is an investment management firm whose parent entity is traded on the NASDAQ exchange. With over 275 employees in nine investment franchises throughout the United States, Victory Capital handles over \$63 billion assets under management as of September 2018.

Victory Capital provides institutions, financial advisors and retirement platforms with a variety of asset classes and investment vehicles, including separately managed accounts, collective trusts, mutual funds, exchange-traded funds and unified managed account vehicles. Victory Capital maintains an independent culture and investment approach for each franchise, which is supported by a centralized distribution, marketing and operational environment.

On November 6, 2018, Victory Capital's parent company announced the acquisition of the Acquired Companies, which is expected to close in the second quarter of 2019. The Acquired Companies are headquartered in San Antonio. As of September 30, 2018, the Acquired Companies had \$69.2 billion in assets under management. The acquisition will effectively double Victory Capital's assets under management.

During the acquisition process, Victory Capital considered alternative locations (including Cleveland, Columbus, and Denver) for its headquarters, ultimately deciding to relocate its headquarters operations to San Antonio. These operations include marketing, distribution, client servicing and corporate functions such as human resources, technology, legal, compliance and operations. As part of this project, Victory Capital plans to invest \$500,000 in real and personal property, which will fund a new headquarters and investment client servicing center that will be located in San Antonio. Further, Victory Capital has committed resources to creating a foundation for financial literacy for military personnel, and to supporting local students with 5 annual paid internships. Victory Capital's know-how will bring an added benefit of capital markets sophistication to the San Antonio area, which has already proven to be a leader in the financial sector.

The project supports 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 securing headquarters, and creating high-wage, and highly-skilled jobs. This project presents a further opportunity to increase San Antonio's public profile as a financial center with the addition of an innovative, rapidly growing, publicly-traded, and globally recognized financial services company.

ISSUE:

In order to secure this project, the City offered a performance-based, Chapter 380 EDIF Grant up to \$500,000. To qualify for the recommended incentives, over a five-year period, Victory Capital must:

- (1) Relocate its headquarters operations to San Antonio;
- (2) Relocate at least 6 executive office positions (five of whom with salaries in excess of \$170,000);
- (3) Retain or cause to be retained 300 existing jobs at their current salaries;
- (4) Create 51 new full-time jobs in San Antonio (45% of the new full-time positions with a minimum salary of \$100,000, 45% with a minimum salary of \$65,000 and 10% with a minimum salary of \$50,000);
- (5) Partner with the City by implementing financial literacy programs for military personnel and sponsoring at least 5 annual student internships (paid at least \$6,400 each); and
- (6) Invest \$500,000 on real and personal property at the project site.

To summarize, the project will consist of at least 357 jobs paying an average salary of \$96,000 for a minimum of 10 years.

Victory Capital intends to use the grant dollars for headquarter relocation expenses.

The recommended incentive aligns with the EDIF guidelines based on the relocation of corporate headquarters,

the retention of 300 jobs, and the addition of 57 new jobs, all with minimum salaries that far exceed annualized Bexar County All-Industry Wage (\$34,632). Further, the company's support of San Antonio's military community aligns with our City's vision as Military City USA.

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.

ALTERNATIVES:

Victory Capital has decided to proceed with locating its project in San Antonio and with retaining and creating jobs based on the competitive financial incentives offered by City staff to secure the project. Should City Council choose not to approve the Ordinance authorizing the City to enter into the Economic Development Agreement, Victory Capital could elect to locate its project elsewhere.

FISCAL IMPACT:

This ordinance authorizes a performance-based Chapter 380 EDIF Grant Agreement with Victory Capital in the amount of up to \$500,000. Funding is available from the Economic Development Incentive Fund FY 2019 Adopted Budget.

Over ten years the project is estimated to provide positive fiscal impact to the City of \$460,000 and positive economic impact to San Antonio of \$945 million dollars.

RECOMMENDATION:

Staff recommends the approval of an Ordinance authorizing the City to enter into a Chapter 380 Economic Development Grant Agreement with Victory Capital, which will provide a grant in an amount of up to \$500,000, provided that Victory Capital fulfills the requirements as described above.