



City of San Antonio

Agenda Memorandum

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In Control: Economic and Workforce Development Committee

DEPARTMENT: Economic Development

DEPARTMENT HEAD: Rene Dominguez

COUNCIL DISTRICT(S) IMPACTED: City-wide

SUBJECT: Inclusive Growth Administrative Policy Update: Economic Development Incentive Fund and EB-5 Policies

SUMMARY:

This briefing will provide an overview of proposed administrative updates to the Economic Development Incentive Fund (EDIF) Guidelines and the criteria used to issue EB-5 Targeted Employment Area (TEA) designation letters. In consultation with the City Attorney's Office, the Economic Development Department (EDD) is making updates to these policies to create congruence with the forthcoming SA Tomorrow Regional Center Plans and the Inclusive Growth Area (IGA), adopted by City Council in December.

BACKGROUND:

City Council creates economic development policy through the SA Tomorrow Comprehensive Plan and various authorizing ordinances, which are then carried out through investments in partnerships, development, and implementation of EDD's programs. EDD administers partnership agreements and a number of programs to achieve these established policy goals, such as the Recruitment/Retention program. To successfully secure companies and grow jobs and investment in San Antonio, a variety of incentive tools are utilized to offer an incentive proposal to a prospective company within the parameters of City Council-approved guidelines. Each resulting incentive package is brought forth for individual City Council consideration.

Inclusive Growth

On December 14, 2018, City Council adopted the 2019-2020 Tax Abatement Guidelines, which went into effect January 1, 2019. The new guidelines include a number of updates focused on inclusive growth emphasizing integration of workforce development investments for targeted populations that apply to a broader scope of employers. A segment of the target populations was determined by the creation of the Inclusive Growth Area (IGA), which is composed of zip codes exhibiting high rates of the population living below the poverty line. The IGA is made up of three tiers: Tier I is where poverty is 20% or greater, Tier II is 30% or greater, and Tier III is 40% or greater (Tier I encompasses both II and III, and Tier II encompasses Tier III). A project where a company invests in the IGA is eligible for longer tax abatement terms. The IGA also provides a geographic

range of prioritization for outreach and investment for workforce development programs.

Economic Development Incentive Fund

The Economic Development Incentive Fund (EDIF) is a performance-based grant fund allocated by City Council each fiscal year. This deal-closing fund is generally used to secure commitments for high-wage (over \$50,000) and premium wage (over \$70,000) job commitments from prospective companies.

Both the EDIF and Tax Abatement Guidelines previously referred to the Inner City Reinvestment Infill Policy (ICRIP) as the target geography triggering additional incentive consideration. With the recent elimination of the ICRIP geography and adoption of the IGA in the Tax Abatement Guidelines, the EDIF Guidelines will be updated to reflect a focus on the IGA.

EB-5

EDD also processes TEA Designation Letters on behalf of the Mayor's Office that are necessary for EB-5 investment deals. The EB-5 Immigrant Investor Program encourages foreign investment in U.S. businesses. In exchange for investing in a business that creates jobs for U.S. workers, foreign nationals and their families are eligible to become permanent residents of the United States through this program. The minimum investment threshold of \$1M is reduced to \$500,000 if the project is located within a TEA. A TEA can be either an individual census tract/block group or a set of contiguous census tracts/block groups with an average unemployment rate of 150% of the national unemployment rate.

Based on the authorizing Federal legislation, state government may designate a geographic or political subdivision within its boundaries as a TEA based on high unemployment. Before the state may make such a designation, an official of the state must notify United States Citizenship and Immigration Services of the agency, board, or other appropriate governmental body of the state that will be delegated the authority to certify that the geographic or political subdivision is a high unemployment area. In 2011, former Texas Governor Rick Perry delegated TEA designation authority to Mayors of Texas cities or towns with a population of at least 20,000 or which lie within a metropolitan statistical area.

EDD has processed TEA Letter requests on a project-by-project basis through each Mayoral administration in response to this delegated authority. EDD has developed a set of administrative procedures to process TEA Letter requests for release on February 28, 2019. The procedures state preferred methods of averaging census tracts to focus on encouraging EB-5 investment in affordable housing, SA Tomorrow Regional Centers, and Opportunity Zones. The procedures also provide consistency regarding City-support for projects creating new impervious cover over the Edwards Aquifer Recharge or Contributing Zones and Projects encroaching on military operations as defined in the SA Tomorrow Comprehensive Plan, JLUS reports, or the City's Annexation Program.

ISSUE:

Staff will release administrative updates to the EDIF and TEA Letter Request Process effective February 28, 2019. The first will align the Tax Abatement and EDIF incentive programs in relation to the IGA as the target geography for project investment. The second formalizes the process by which EDD staff will process TEA letter requests through the Mayor's Office. These updates are administrative and do not require Council Action.

RECOMMENDATIONS:

This item is a staff briefing and requires no further action.