



City of San Antonio

Agenda Memorandum

File Number: 19-7956

Agenda Item Number: 23B.

Agenda Date: 10/31/2019

In Control: City Council A Session

DEPARTMENT: Economic Development

DEPARTMENT HEAD: Alejandra Lopez

COUNCIL DISTRICTS IMPACTED: 5 & 6

SUBJECT:

City Council consideration on an agreement with CAPLINK, USA, Inc., and FGF, LLC, including a 10-year, 100% Upskill Project Tax Abatement, Chapter 380 Economic Development Incentive Fund (EDIF) Grant, and authorization of City and SAWS fee waivers.

SUMMARY:

This ordinance authorizes an agreement with CAPLINK, USA, Inc., and FGF, LLC, for: (A) a 10-year, 100% Upskill Project Tax Abatement valued at \$4.5 million, including a \$500,000 Workforce Development Training Grant and (B) City fee waivers in the amount of \$150,000, and SAWS fee waivers in the amount of \$300,000.

BACKGROUND INFORMATION:

FGF Brands is a privately-held baked goods manufacturer headquartered in Toronto, Canada with a total global workforce of 2,400. In 2018, FGF Brands acquired Hill Country Bakery, now known as FGF Brands, Texas. Founded in 1997 and based in San Antonio, Hill Country Bakery, LLC, produced and supplied baked goods for clients across North America.

With the acquisition of Hill Country Bakery, FGF Brands is considering investing in a new business campus equipped with state-of-the-art manufacturing technology and a U.S. Headquarters based in San Antonio to better serve its U.S. client-base. FGF Brands currently employs 328 people at the company's existing manufacturing operations located at 122 Stribling St. in Council District 5. For the new project, CAPLINK, USA, Inc. will own the land and building (real property and improvements) and FGF, LLC will own the machinery and equipment (personal property) and will be responsible for bakery operations to include overseeing employees. The companies have selected 6245 State Hwy 151 in Council District 6 as the site for a

new \$129,500,000 business campus and bakery adding 600 new jobs over ten years.

CAPLINK, USA, Inc., and FGF, LLC have committed to hiring 35% of the project workforce from targeted populations which include: residents of Zip Code Tabulation Areas where more than 30% of the population are living below the federal poverty line; residents receiving federal assistance, or that were formerly incarcerated; or residents that are served by workforce development non-profits funded by the City of San Antonio. The companies have also committed to hosting job fairs in the inner-city during the initial hiring period.

CAPLINK, USA, Inc., and FGF, LLC have committed to investing \$100,000 per year in employee retention programs focused on economic mobility. These services collectively referred to as an Upskill Partnership Plan (UPP) must include job coaching as well as the following services: (1.) An assessment that informs a service plan outlining barriers preventing employees from pursuing or completing further education/training, as well as an employee-centered career plan that outlines training pathways into higher-paying positions; (2.) Service plan referral services that, at a minimum, connects employees to options available to address training/education barriers such as language barriers, digital literacy, utility assistance, or housing insecurity; and (3.) Access to training funds of up to \$500,000 provided by the City of San Antonio at the rate of \$50,000 per year for 10-years to support employees pursuit of an endorsed career plan.

City Council introduced Upskill Project Tax Abatements in the adoption of the 2019-2020 Tax Abatement Guidelines in December of 2018, after a year-long evaluation of inclusive growth incentive practices across the country and multiple stakeholder engagement sessions throughout the city. Upskill Project Tax Abatements are limited to two projects a year and aim to empower residents in low-barrier-to-entry positions to access career coaching, support services, and scholarship dollars for training that can increase their earning power and career mobility.

ISSUE:

Based on the new jobs, investment, targeted hiring, and workforce development commitments, City staff recommends a 10-year, 100% *Upskill Project Tax Abatement* valued at \$4.5 million, a \$500,000 Workforce Development Training Grant, City fee waivers in the amount of \$150,000, and SAWS fee waivers in the amount of \$300,000.

The abatement term and percentage adopted at the onset of this economic development agreement (10-years, 100%) requires the company to maintain an annual investment of \$100,000 in an Upskill Partnership Plan for the majority of the abatement term. An Upskill Partnership Plan (UPP) articulates how the company plans to deliver assessment, barrier removal, and training fund disbursement services to its employees. If the company opts not to implement a UPP, the abatement term and percentage can be reduce to as little as six-years and 50%. The tax abatement term and percentage can be reduced through no further action of City Council if the company chooses not to make these investments.

Additionally, the company and its subsidiaries must comply with the City's Tax Abatement Guidelines, including Living Wage for all full-time, part-time, and seasonal workers and the provision of access to healthcare benefits for the company's employees and their dependents.

City staff recommends a Chapter 380 Workforce Training Fund Grant of up to \$500,000 (\$50,000 per year / 10-years). The project will be eligible for this annual grant in the years in which it has made the annual \$100,000 investment in an approved UPP. In years where the need for employees to access training dollars exceeds \$50,000, the annual amount may be increased with no further action of City Council. However, the total grant amount will not exceed \$500,000.

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 workforce development grants available for training.

The tax abatement associated with this item was publically posted 30-days in advance of City Council consideration in accordance with Chapter 312 of the Tax Code.

ALTERNATIVES:

Based on the City's partnership, CAPLINK, USA, Inc., and FGF, LLC have decided to proceed with the expansion of its operations to San Antonio. City Council could choose not to approve the Ordinance which may adversely impact the companies' decision to grow their operations in San Antonio.

FISCAL IMPACT:

The cost benefit analysis associated with this project included revenues such as new projected real and personal property taxes, sales tax generated by construction and new jobs, as well as estimated CPS Energy revenues. Projected costs include the \$4,500,000 value of the tax abatement, \$500,000 in grant funds, and up to \$450,000 in City and SAWS Impact Fee Waivers. This project demonstrates a positive fiscal impact of approximately \$3,800,000 to the City over a 16-year period.

This ordinance authorizes a performance-based Chapter 380 Workforce Development Training Fund Grant Agreement with CAPLINK, USA, Inc., and FGF, LLC in the amount of \$500,000 available from the Economic Development Incentive Fund FY 2020 Adopted Budget. This Ordinance also authorizes City fee waivers in the amount of \$150,000 and SAWS fee waivers in the amount of \$300,000 both available in the FY2020 budget and through the SAWS fee waiver program budget.

RECOMMENDATION:

Staff recommends approval of the following actions related to CAPLINK, USA, Inc., and FGF, LLC: (A) Ordinance approving a tax abatement agreement for real and personal property valued at \$4,500,000.00 with CAPLINK, USA, Inc., and FGF, LLC, which includes provisions for an Upskill Partnership Program and up to \$500,000.00 in workforce development funds. (B) Ordinance authorizing City fee waivers in the amount of \$150,000.00 and SAWS impact fee waivers in the estimated amount of \$300,000.00 for the CAPLINK, USA, Inc./FGF, LLC food manufacturing expansion project with an estimated investment of \$129,500,000.00 in real and personal property improvements.